

Claims: We claim:

1. A method for defining collateral loss coverage and calculating collateral loss premiums based on the terms of an insurance policy or group of insurance policies that are written by an insurer:
  - (a) using a contract that enables an exchange of money between two parties, where said insurer is a coverage buyer, such that said exchange is determined by two functional relationships to said insurance policy or group of insurance policies, where one said functional relationship defines loss coverage as a function of the recovery under said insurance policy or group of insurance policies and the other said functional relationship calculates the premium of said contract as a function of the premium of said insurance policy or group of insurance policies, whereby simple and cost efficient coverage is provided for losses that are expensive to define or prove.
2. The contract of claim 1(a) that is structured as one or more provisions in any type of contract.
3. The functional relationships of claim 1(a) where said contract's premium and loss coverage are directly proportional to the premium charged and the losses recovered under said insurance policy or group of insurance policies.
4. The functional relationships of claim 1(a) where said contract's premium and loss coverage are not directly proportional to the premium charged and the losses recovered under said insurance policy or group of insurance policies.

5. A method for defining loss coverage and calculating premiums based on the terms of a reinsurance policy or group of reinsurance policies that were bought by either an insurer or a reinsurer:
  - (a) using a contract that enables an exchange of money between two parties such that said exchange is determined by two functional relationships to said reinsurance policy or group of reinsurance policies where one said functional relationship defines loss coverage as a function of the recovery under said reinsurance policy or group of reinsurance policies and the other said functional relationship calculates the premium of said contract as a function of the premium of said reinsurance policy or group of reinsurance policies,  
whereby simple and cost efficient coverage is provided for losses that are expensive to define or prove.
6. The contract of claim 5(a) that is structured as one or more provisions in any type of contract.
7. The functional relationships of claim 5(a) where said contract's premium and loss coverage are directly proportional to the premium charged and the losses recovered under said reinsurance policy or group of reinsurance policies.
8. The functional relationships of claim 5(a) where said contract's premium and loss coverage are not direct proportional to the premium charged and the losses recovered under said reinsurance policy or group of reinsurance policies.
9. A method for defining collateral loss coverage and calculating collateral loss premiums based on the terms of a reinsurance policy or group of reinsurance policies:
  - (a) using a contract that enables an exchange of money between two parties such that said exchange is determined by two functional relationships to said reinsurance

policy or group of reinsurance policies, where one said functional relationship defines loss coverage as a function of the recovery under said reinsurance policy or group of reinsurance policies and the other said functional relationship calculates the premium of said contract as a function of the premium of said reinsurance policy or group of policies,  
whereby simple and cost efficient coverage is provided for losses that are expensive to define or prove.

10. The contract of claim 9(a) that is structured as one or more provisions in any type of contract.
11. The functional relationships of claim 9(a) where said contract's premium and loss coverage are directly proportional to the premium charged and the losses recovered under said reinsurance policy or group of reinsurance policies.
12. The functional relationships of claim 9(a) where said contract's premium and loss coverage are not direct proportional to the premium charged and the losses recovered under said reinsurance policy or group of reinsurance policies.